

PwC comments on insurance impacts of UK riots

LONDON, UK: Commenting on the insurance impacts of the UK riots, Mohammad Khan, partner at PwC, said: "It's difficult to put a value on the cost of the damage as the scope and scale is still changing but, in relative terms, the financial impact on insurers will be small."



Khan says that while there may be some specific increases in premiums for the worst affected areas, for customers nationwide, there is also too much competition for these events to have a significant impact.

"The key issue is how quickly insurers can deal with claims as many small businesses may not have the cashflow to survive without quick payments and more will not have business interruption insurance. The UK property and casualty insurance industry has learned lessons from previous events, such as floods, and now recognises it can demonstrate value and earn customer loyalty by processing claims quickly and efficiently."

"Customers may have to check the wording of their policies carefully. Generally events like riots are included within the terms of insurance but there may be exceptions to this."

Difficult to plan for

"Riots and looting are clearly very difficult to plan for but this situation does highlight that businesses must factor regular assessment of their insurance cover into their risk-management processes. Another important part of this process is monitoring changing risks and disclosing risk information to insurers to ensure there are no potentially costly gaps in their cover arrangements. Organisations can safeguard themselves by providing quality and in-depth information to their insurers, which will supply reliable and appropriate cover return."

The following information from a Mactavish/ PwC report published in March may be useful. The full release and report are available here: <http://tinyurl.com/6e49kqt>

- 87% of insurance buyers do not understand the extent to which the duty of insurance disclosure is the responsibility or the consequences of failing to meet this duty.
- Two thirds of buyers (65%) at large companies do not review the materials used to arrange their insurance, and almost all have inadequate discussions with insurers and brokers regarding coverage.
- Claims professionals across all parts of the commercial insurance market are starting to report an increase in questioning of claims by insurers, on top of an expected surge in losses from operational changes made by firms during the recession.
- The quality of disclosure underpinning insurance is at best poor, sometimes shocking. Almost every document used to explain companies' risks to insurers, out of the hundreds reviewed in the study, contained errors or omissions that could directly lead to a large claim being questioned.

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